

SIMPSON THACHER & BARTLETT

A PARTNERSHIP WHICH INCLUDES PROFESSIONAL CORPORATIONS

425 LEXINGTON AVENUE
NEW YORK, NY 10017-3909
(212) 455-2000

0-093A098

WRITER'S DIRECT DIAL NUMBER

(212) 455-7073

TELECOPIER 455-2502

TELEX 129158

232622

RECORDATION NO 16825 LONDON
FILED 16825 COLUMBUS

FEDERAL EXPRESS

April 2, 1990 APR 3 1990 -125 PM

INTERSTATE COMMERCE COMMISSION

Re: Perfection of Barclays Bank PLC's
Security Interest in Hutchinson & Northern
Railway Company's Rolling Stock

Interstate Commerce Commission
Twelfth and Constitution Avenue Northwest
Washington, D.C. 20423
Attention: Mildred Lee - Room 2303

RECORDATION NO FILED 1425

APR 3 1990 -125 PM

INTERSTATE COMMERCE COMMISSION

Gentlemen:

Enclosed please find:

- a) Two copies of the Hutchinson & Northern Railway Company Security Agreement made by the Hutchinson and Northern Railway Company, a Kansas Corporation, in favor of Barclays Bank PLC. as U.S. Collateral Agent and Intercreditor Agent.
- b) A description of the Rolling Stock; and
- c) A money order for the \$15 filing fee.

Please record the enclosed documents to effectuate a perfection of Barclays Bank PLC's Security Interest in the Rolling Stock owned by the Hutchinson & Northern Railway Company.

If there are any problems, please call me at (212) 455-7073. Thank you.

Very truly yours,

Robin F. Grant
Robin F. Grant

Enclosures

SIMPSON THACHER & BARTLETT

A PARTNERSHIP WHICH INCLUDES PROFESSIONAL CORPORATIONS

425 LEXINGTON AVENUE
NEW YORK, NY 10017-3909
(212) 455-2000

16825

RECEIVED BY _____ FILED 125

APR 3 1990 -125 PM

WRITER'S DIRECT DIAL NUMBER

-(212) 455-7073

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TELEX 129158

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INTERSTATE COMMERCE COMMISSION

LONDON

COLUMBUS

FEDERAL EXPRESS

April 2, 1990

Re: Perfection of Barclays Bank PLC's
Security Interest in Hutchinson and Northern
Railway Company's Rolling Stock

Interstate Commerce Commission
Twelfth and Constitution Avenue Northwest
Washington, D.C. 20423
Attention: Mildred Lee - Room 2303

16825, A
RECEIVED BY _____ FILED 125

APR 3 1990 -125 PM

INTERSTATE COMMERCE COMMISSION

Gentlemen:

Enclosed please find:

- a) Two copies of the Hutchinson & Northern Railway Company Security Agreement made by the Hutchinson and Northern Railway Company a Kansas Corporation, 1800 Carey Blvd. Hutchinson, Kansas 67501, in favor of Barclays Bank PLC., 75 Wall Street, New York, New York 10265. *Including a Master Agreement Dtd 3/28/90*
- b) A description of the Rolling Stock owned by the Hutchinson and Northern Railway Company; and
- c) A money order for the \$15 filing fee.

Please record the enclosed documents to effectuate a perfection of Barclays Bank PLC's Security Interest in the Rolling Stock owned by the Hutchinson & Northern Railway Company.

If you have any questions, please call me at the above number. Thank you.

Very truly yours,

Robin F. Grant
Robin F. Grant

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

7/3/90

OFFICE OF THE SECRETARY

Robin F. Grant
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, N.Y. 10017

Dear Ms. Robin:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/3/90 at 1:25^{pm} and assigned recordation number(s). 16825-A

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

APR 3 1990 -125 PM

EXECUTION COPY

INTERNATIONAL COMMERCE COMMISSION

SUBSIDIARY GUARANTORS SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of March 28, 1990, made by The Hutchinson and Northern Railway Company, a Kansas corporation (the "Grantor") in favor of Barclays Bank PLC, as U.S. Collateral Agent for the benefit of the Secured Parties under the Master Agreement, dated as of March 28, 1990 (as amended, supplemented or otherwise modified from time to time, the "Master Agreement"), among American Salt, Sifto Salt, North American Salt, the Grantor, the Subsidiary Guarantor (other than the Grantor), the Lenders, the Credit Agents, the Issuing Banks, the Senior Note Holders, the Interest Protection Parties, the Collateral Agents and the Intercreditor Agent (each undefined capitalized term being used as defined in Schedule X ("Schedule X") to the Master Agreement.)

W I T N E S S E T H :

WHEREAS, pursuant to the terms of the Master Agreement and the Credit Agreements (as defined in Schedule X), the Lenders have severally agreed to make certain loans to American Salt and Sifto Salt upon the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to the terms of the Master Agreement and the Senior Note Purchase Agreement (as defined in Schedule X), the Senior Note Holders have severally agreed to purchase the Senior Notes from Sifto Salt upon the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to the terms of the Master Agreement, the Borrowers are required to enter into Interest Protection Agreements (as defined in Schedule X); and

WHEREAS, it is a condition precedent to the obligations of the Lenders to make their respective loans to American Salt and Sifto Salt under the Credit Agreements, to the obligation of the Senior Note Holders to purchase the Senior Notes under the Master Agreement and the Senior Note Purchase Agreement and of the Interest Protection Parties to enter into their respective Interest Protection Agreements that the Grantor shall have executed and delivered this Security Agreement to the U.S. Collateral Agent for the benefit of the Secured Parties.

NOW, THEREFORE, in consideration of the premises and to induce the U.S. Collateral Agent and the Secured Parties to enter into the Master Agreement, to induce the

Lenders to make their respective loans to American Salt and Sifto Salt under the Credit Agreements, to induce the Senior Note Holders to purchase the Senior Notes from Sifto Salt under the Senior Note Purchase Agreement and to induce the Interest Protection Parties to enter into the Interest Protection Agreements, the Grantor hereby agrees with the U.S. Collateral Agent, for the ratable benefit of the Secured Parties, as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in, or by reference in, Schedule X and used herein are so used as so defined, and the following terms shall have the following meanings:

"Accounts" means all accounts receivable, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to the Grantor (including under any trade names, styles or divisions thereof) whether arising out of goods sold by it or services rendered by it or from any other transaction, whether or not the same involves the sale of goods or performance of services by the Grantor (including without limitation, any such obligation which would be characterized as an account, general intangible or chattel paper under the UCC), and all of the Grantor's rights in, to and under all purchase orders now owned or hereafter received or acquired by it for goods or services, and all of the Grantor's rights to any goods represented by any of the foregoing (including returned or repossessed goods and unpaid seller's rights) and all moneys due or to become due to the Grantor under all contracts for the sale of goods and/or the performance of services by it (whether or not yet earned by performance) or in connection with any other transaction, now in existence or hereafter arising, including without limitation the right to receive the proceeds of said purchase orders and contracts, and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Chattel Paper" has the meaning assigned in Section 9-105(1)(b) of the UCC.

"Collateral" has the meaning assigned to it in Section 2 of this Security Agreement.

"Equipment" means all machinery, equipment and furniture, now owned or hereafter acquired by the Grantor or in which the Grantor now has or hereafter may acquire any right, title or interest and any and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed therein or affixed thereto, including, but not limited to, all equipment as defined in Section 9-109(2) of the UCC.

"Farm Products" has the meaning assigned to it in Section 9-109(3) of the UCC.

"General Intangibles" has the meaning assigned in Section 9-106 of the UCC.

"Instrument" has the meaning assigned in Section 9-105(1)(i) of the UCC.

"Inventory" means all inventory, wherever located, now owned or hereafter acquired by the Grantor or in which the Grantor now has or hereafter may acquire any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by the Grantor which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in the Grantor's business, or in the processing, packaging or shipping of the same, and all finished goods, including, but not limited to, all inventory as defined in Section 9-109(4) of the UCC.

"Lock-Box Account" and "Lock-Box Accounts" shall have the meanings assigned to such terms in paragraph 3(c) of this Security Agreement.

"Patent License" means all agreements, whether written or oral, providing for the grant by the Grantor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Schedule I hereto.

"Patents" means (a) all letters patent of the United States or any other country and all reissues and extensions thereof, including, without limitation, any thereof referred to in Schedule I hereto, and (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Schedule I hereto.

"Security Agreement" means this Security Agreement, as amended, supplemented or otherwise modified from time to time.

"Trade Account" means an "account", as defined in Section 9-106 of the UCC, that arises in the ordinary course of the business of the Grantor.

"Trademark License" means any agreement, written or oral, providing for the grant by the Grantor of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule II hereto.

"Trademarks" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule II hereto, and (b) all renewals thereof.

"Vehicles" means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state now owned or hereafter acquired by the Grantor and, in any event, shall include, without limitation, the vehicles listed on Schedule VII and all tires and other appurtenances to any of the foregoing.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations, the Grantor hereby grants to the U.S. Collateral Agent for the ratable benefit of the Secured Parties a security interest in all of the following property now owned or at any time hereafter acquired by the Grantor or in which the Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

- (1) all Accounts;
- (2) all Chattel Paper;
- (3) all Equipment;
- (4) all General Intangibles;
- (5) all Instruments;
- (6) all Inventory;
- (7) all Patents;
- (8) all Patent Licenses;
- (9) all Trademarks;
- (10) all Trademark Licenses;
- (11) all Vehicles; and

(12) to the extent not otherwise included, all Proceeds, products, substitutions and replacements of any and all of the foregoing.

3. Rights of U.S. Collateral Agent and Secured Parties; Limitations on U.S. Collateral Agent's and Secured Parties' Obligations.

(a) The Grantor Remains Liable under Accounts.

Anything herein to the contrary notwithstanding, the Grantor shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account. Neither the U.S. Collateral Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Security Agreement or the receipt by the U.S. Collateral Agent or any such Secured Party of any payment relating to such Account pursuant hereto, nor shall the U.S. Collateral Agent nor any Secured Party be obligated in any manner to perform any of the obligations of the Grantor under or pursuant to any Account (or any agreement giving rise thereto) to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Notice to Account Debtors. Upon the request of the U.S. Collateral Agent after the occurrence and during the continuance of an Event of Default, the Grantor shall notify account debtors on the Accounts that the Accounts have been assigned to the U.S. Collateral Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the U.S. Collateral Agent. The U.S. Collateral Agent may in its own name or in the name of others communicate with account debtors on the Accounts to verify with them to its satisfaction the existence, amount and terms of any Accounts.

(c) Collections on Accounts. The U.S. Collateral Agent hereby authorizes the Grantor to collect the Accounts; provided, however, that if a Notice of Default is in effect, such authority shall be terminated. If a Notice of Default is in effect, any payments of Accounts, when collected by the Grantor, shall be forthwith (and, in any event, within two Business Days) turned over to the U.S. Collateral Agent by the Grantor in the exact form received, duly indorsed by the Grantor to the U.S. Collateral Agent if required, for deposit

in the sub-account of the U.S. Collateral Account, subject to withdrawal by the U.S. Collateral Agent for the account of the Secured Parties only, as hereinafter provided, and, until so turned over, shall be held by the Grantor in trust for the U.S. Collateral Agent, segregated from other funds of the Grantor. If a Notice of Default is in effect, any Proceeds constituting collections of Accounts shall be accompanied by a report identifying in reasonable detail the nature and source of such Proceeds. All such Proceeds while held by the U.S. Collateral Agent (or by the Grantor in trust for the U.S. Collateral Agent) shall continue to be collateral security for all of the Secured Obligations and shall not constitute payment thereof until applied as hereinafter provided. The U.S. Collateral Agent shall apply the funds on deposit in the sub-account of the Collateral Account. While a Notice of Default is in effect, at the U.S. Collateral Agent's request, the Grantor shall deliver to the U.S. Collateral Agent's all original and other documents (including, without limitation, any copies or other reproductions of documents for which the Grantor does not have originals) evidencing, and relating to, the agreements and transactions which gave rise to any or all of the Accounts, including, without limitation, all orders, invoices and shipping receipts.

At any time upon reasonable notice to the Grantor from the U.S. Collateral Agent, the Grantor shall establish a system of lock-box accounts and related demand deposit accounts all for the benefit of the Secured Parties and in the name and under the exclusive control of the U.S. Collateral Agent. Such system shall be established and maintained in accordance with Section 3(c) of the American Salt Security Agreement.

(d) Analysis of Trade Accounts. The U.S. Collateral Agent shall have the right to make test verifications of the Trade Accounts in any manner and through any medium that it reasonably considers advisable, and the Grantor shall furnish all such assistance and information as the U.S. Collateral Agent may require in connection therewith. At any time and from time to time, upon the U.S. Collateral Agent's request and at the expense of the Grantor, the Grantor shall cause independent public accountants or others satisfactory to the U.S. Collateral Agent to furnish to the U.S. Collateral Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Trade Accounts.

4. Representations and Warranties. The Grantor hereby represents and warrants that:

(a) Title; No Other Liens. Except for the Lien granted to the U.S. Collateral Agent for the benefit of the Secured Parties pursuant to this Security Agreement and the

other Security Documents to which the Grantor is a party, the Grantor owns each item of the Collateral free and clear of any and all Liens (other than the Liens permitted pursuant to subsection 6.3 of the Master Agreement) or claims of others. No security agreement, financing statement or similar public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the U.S. Collateral Agent, for the benefit of the Secured Parties, pursuant to this Security Agreement, as set forth on Schedule 7 to the Master Agreement.

(b) Perfected First Priority Liens. The Liens granted pursuant to this Security Agreement constitute perfected Liens on the Collateral in favor of the U.S. Collateral Agent, for the ratable benefit of the Secured Parties, which are prior to all other Liens on the Collateral created by the Grantor and in existence on the date hereof and which are enforceable as such against all creditors of and purchasers from the Grantor (except purchasers of goods in the ordinary course of business) and against any owner or purchaser of the real property where any of the Equipment is located and any present or future creditor obtaining a Lien on such real property except for (i) Liens granted on Vehicles, which shall be perfected no later than 45 days after the Closing Date; (ii) any Liens on Instruments that are in an aggregate principal amount at any time outstanding not to exceed \$50,000 or that became perfected by the delivery thereof to the U.S. Collateral Agent within 10 days of receipt by the Grantor; (iii) any Liens on Chattel Paper that are in an aggregate principal amount at any time outstanding not to exceed \$50,000 or that became perfected by the delivery thereof to the U.S. Collateral Agent within 10 days of receipt by the Grantor; and (iv) any Liens on newly acquired property no more than 30 days following the acquisition of such property.

(c) Accounts. The amount represented by the Grantor to the Secured Parties from time to time as owing by each account debtor or by all account debtors in respect of the Accounts will at such time be the correct amount actually owing by such account debtor or debtors thereunder. No amount payable to the Grantor under or in connection with any Account is evidenced by any Instrument or Chattel Paper which has not been delivered to the U.S. Collateral Agent, except for Accounts evidenced by Instruments or Chattel Paper in each case in an aggregate principal amount at any time outstanding, not to exceed \$50,000, respectively, or that become perfected by the delivery thereof to the U.S. Collateral Agent within 10 days of receipt thereof by the Grantor. As of the date hereof, the place where the Grantor keeps its records concerning the Accounts is set forth on Schedule III hereto.

(d) Consents. No consent of any obligor in respect of any Account is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement. Neither the Grantor nor (to the best of the Grantor's knowledge) any other party to any Account is in default or is likely to become in default in the performance or observance of any of the terms thereof which would materially adversely affect the value of the Accounts as Collateral taken as a whole. The right, title and interest of the Grantor in, to and under each Account are not subject to any defense, offset, counterclaim or claim which would materially adversely affect the value of such Account as Collateral, nor have any of the foregoing been asserted or alleged against the Grantor as to any of the foregoing. No amount payable to the Grantor under or in connection with any Account is evidenced by any Instrument which has not been delivered to the U.S. Collateral Agent except for Instruments in an aggregate principal amount at any time outstanding not to exceed \$50,000 or that become perfected by the delivery thereof to the U.S. Collateral Agent within 10 days of receipt by the Grantor.

(e) Location of Tangible Property. As of the date hereof, the Inventory is kept at the locations listed on Schedule IV hereto (other than Inventory in transit). As of the date hereof, the Equipment is kept at the locations specified on Schedule V hereto.

(f) Chief Executive Office. As of the date hereof, the Grantor's chief executive office and chief place of business is located at 1800 Carey Boulevard, Hutchinson, Kansas 67502.

(g) Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

(h) Patents and Trademarks. As of the date hereof, Schedule I hereto includes all Patents and Patent Licenses owned by the Grantor. Schedule II hereto includes all Trademarks and Trademark Licenses owned by the Grantor in its own name as of the date hereof. To the best of the Grantor's knowledge, each Patent and Trademark is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in either such Schedule, none of such Patents and Trademarks is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Patent or Trademark. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Patent or Trademark, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Patent or Trademark.

(i) Governmental Obligors. As of the date hereof, except as set forth on Schedule VI, none of the obligors on any Accounts is a Governmental Authority.

(j) Vehicles. As of the Closing Date, Schedule VII is a complete and correct list of all Vehicles and the state of registration thereof.

5. Covenants. The Grantor covenants and agrees with the U.S. Collateral Agent and the Secured Parties that, from and after the date of this Security Agreement until the Secured Obligations are paid in full and the Commitments are terminated:

(a) Further Documentation; Pledge of Instruments. At any time and from time to time, upon the written request of the U.S. Collateral Agent, and at the sole expense of the Grantor, the Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as the U.S. Collateral Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the UCC in effect in any jurisdiction with respect to the Liens created hereby. The Grantor also hereby authorizes the U.S. Collateral Agent to file any such financing or continuation statement without the signature of the Grantor to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, in each case in an aggregate principal amount exceeding \$50,000, respectively, such Instrument or Chattel Paper shall be delivered to the U.S. Collateral Agent within 10 days of receipt by the Grantor, duly endorsed in a manner satisfactory to the U.S. Collateral Agent, to be held as Collateral pursuant to this Security Agreement.

(b) Indemnification. Subject to the last proviso in subsection 8.5 of the Master Agreement and to the limitation on legal fees and disbursements set forth in subsection 8.5(b) of the Master Agreement, the Grantor agrees to pay, and to save the U.S. Collateral Agent and the Secured Parties harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement. In any

suit, proceeding or action brought by the U.S. Collateral Agent or any Secured Party under any Account for any sum owing thereunder, or to enforce any provisions of any Account, the Grantor will save, indemnify and keep the U.S. Collateral Agent and such Secured Party harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from the Grantor.

(c) Maintenance of Records. The Grantor will keep and maintain at its own cost and expense records of the Collateral that are full, true and correct in all material respects, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. The Grantor will mark its books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the further security of the U.S. Collateral Agent and the Secured Parties, the U.S. Collateral Agent, for the ratable benefit of the Secured Parties, shall have a security interest in all of the Grantor's books and records pertaining to the Collateral, and the Grantor, upon a request made by the U.S. Collateral Agent and after the occurrence and during the continuance of an Event of Default, shall turn over any such books and records to the U.S. Collateral Agent or to its representatives during normal business hours at the request of the U.S. Collateral Agent.

(d) Right of Inspection. Upon reasonable notice to the Grantor from the U.S. Collateral Agent, the U.S. Collateral Agent and the Secured Parties shall have full and free access at any reasonable time and as often as may reasonably be requested to all the books, correspondence and records of the Grantor, and the U.S. Collateral Agent and the Secured Parties and their respective representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Grantor agrees to render to the U.S. Collateral Agent and the Secured Parties, at the Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Upon reasonable notice to the Grantor from the U.S. Collateral Agent, the U.S. Collateral Agent and the Secured Parties and their respective representatives shall at any reasonable time and as often as may be reasonably requested also have the right to enter into and upon any premises where any of the Inventory or Equipment is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

(e) Compliance with Laws, etc. The Grantor will comply in all respects with all Requirements of Law applicable to the Collateral except to the extent that the failure to comply therewith could not, in the aggregate, have a material adverse effect on American Salt and its Subsidiaries taken as a whole the U.S. Collateral Agent's or the Secured Parties' rights or the priority of their Liens on the Collateral.

(f) Payment of Obligations. The Grantor will pay promptly when due all material taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to such Collateral the nonpayment of which would materially adversely affect the Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the Grantor's books in accordance with GAAP.

(g) Limitation on Liens on Collateral. The Grantor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Liens created hereby or permitted under subsection 6.3 of the Master Agreement, and will defend the right, title and interest of the U.S. Collateral Agent and the Secured Parties in and to any of such Collateral against the claims and demands of all Persons.

(h) Limitations on Dispositions of Collateral. The Grantor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so, except as permitted in the Master Agreement.

(i) Limitations on Modifications, Waivers, Extensions of Agreements Giving Rise to Accounts. The Grantor will not (i) amend, modify, terminate or waive any provision of any agreement giving rise to an Account in any manner which could reasonably be expected to materially adversely affect the value of such Account as Collateral, (ii) fail to exercise promptly and diligently each and every material right which it may have under each agreement giving rise to an Account (other than any right of termination) which could reasonably be expected to materially adversely affect the value of such Account as Collateral or (iii) fail to deliver to the U.S. Collateral Agent a copy of each material demand, notice or document received by it relating

in any way to any agreement giving rise to an Account which could reasonably be expected to materially adversely affect the value of such Account as Collateral, except that clauses (i) and (ii) are subject to the provisions in paragraph 5(j) hereof and clauses (i), (ii) and (iii) do not apply to any Account having an aggregate value of less than \$50,000.

(j) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business as generally conducted by the Grantor over a period of time, the Grantor will not grant any extension of the time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

(k) Maintenance of Equipment. The Grantor will maintain each item of Equipment in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose except to the extent that the failure to do so would not have a material adverse effect on the business, operations, property or financial or other condition of American Salt and its Subsidiaries taken as a whole or on the value of the Collateral.

(l) Maintenance of Insurance. The Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory and Equipment against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the U.S. Collateral Agent and (ii) insuring the Grantor, the U.S. Collateral Agent and the Secured Parties against liability for personal injury and property damage relating to such Inventory and Equipment, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the U.S. Collateral Agent and the Secured Parties, with losses payable to the Grantor, the U.S. Collateral Agent and the Secured Parties as their respective interests may appear. All such insurance shall (i) contain a breach of warranty clause in favor of the U.S. Collateral Agent and the Secured Parties, (ii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the U.S. Collateral Agent and the Secured Parties of written notice thereof, (iii) name the U.S. Collateral Agent and the Secured Parties as insured parties and (iv) be reasonably satisfactory in all other respects to the U.S. Collateral Agent. The Grantor shall deliver to the U.S. Collateral Agent and the Secured Parties a report of a reputable insurance broker with respect to such insurance during the month of [April] in each calendar year and such

supplemental reports with respect thereto as the U.S. Collateral Agent may from time to time reasonably request.

(m) Further Identification of Collateral. The Grantor will furnish to the U.S. Collateral Agent and the Secured Parties from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the U.S. Collateral Agent may reasonably request, all in reasonable detail.

(n) Notices. The Grantor will advise the U.S. Collateral Agent and the Secured Parties promptly, in reasonable detail, at their respective addresses set forth in the Master Agreement or in any Commitment Transfer Supplement, (i) of any Lien (other than Liens created hereby or permitted under the Master Agreement) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(o) Changes in Locations, Name, etc. The Grantor will not (i) change the location of its chief executive office/chief place of business from that specified in Section 4(f), (ii) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedules IV and V hereto or (iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the U.S. Collateral Agent in connection with this Security Agreement would become seriously misleading, unless it shall have given the U.S. Collateral Agent and the Lenders at least 15 days prior written notice thereof and prior to effecting any such change taken such steps as the U.S. Collateral Agent may deem necessary or advisable to continue the perfection and priority of the security interest granted pursuant hereto.

(p) Patents and Trademarks.

(1) The Grantor (either itself or through licensees) will, except with respect to any Trademark that the Grantor shall reasonably determine is of negligible economic value to it, (i) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the U.S.

Collateral Agent, for the ratable benefit of the Secured Parties, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(2) The Grantor will not, except with respect to any Patent that the Grantor shall reasonably determine is of negligible economic value to it, do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated.

(3) The Grantor will notify the U.S. Collateral Agent promptly if it knows, or has reason to know, that any application or registration relating to any non-negligible Patent or Trademark may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country) regarding the Grantor's ownership of any non-negligible Patent or Trademark or its right to register the same or to keep and maintain the same.

(4) Whenever the Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, the Grantor shall report such filing to the U.S. Collateral Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the U.S. Collateral Agent, the Grantor shall execute and deliver any and all agreements, instruments, documents, and papers as the U.S. Collateral Agent may request to evidence the U.S. Collateral Agent's security interest in any Patent or Trademark and the goodwill and general intangibles of the Grantor relating thereto or represented thereby, and the Grantor hereby constitutes the U.S. Collateral Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Secured Obligations are paid in full and the Commitments are terminated.

(5) The Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other

country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the non-negligible Patents and Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(6) In the event that any non-negligible Patent or Trademark included in the Collateral is infringed, misappropriated or diluted by a third party, the Grantor shall promptly notify the U.S. Collateral Agent and the Secured Parties after it learns thereof and shall, unless the Grantor shall reasonably determine that such Patent or Trademark is of negligible economic value to the Grantor which determination the Grantor shall promptly report to the U.S. Collateral Agent and the Secured Parties, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as the Grantor shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark.

(q) Vehicles. The Grantor will maintain its Vehicles used or useful in its business in good operating condition, ordinary wear and tear excepted. No Vehicle shall be removed from the state which has issued the certificate of title/ownership therefor for a period in excess of four months unless prior to the expiration of such period the U.S. Collateral Agent shall have received a new certificate of title/ownership for such Vehicle issued by the state to which such Vehicle has been moved. With respect to any Vehicles acquired by the Grantor subsequent to the date hereof, within ten days after the date of acquisition thereof, all applications for certificates of title/ownership indicating the U.S. Collateral Agent's Lien on the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction necessary or which the U.S. Collateral Agent may reasonably deem advisable to perfect its Liens on the Vehicles and provision shall have been made for the delivery of all such certificates of title/ownership to be delivered to the U.S. Collateral Agent.

6. U.S. Collateral Agent's Appointment as Attorney-in-Fact.

(a) Powers. The Grantor hereby irrevocably constitutes and appoints the U.S. Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Grantor and in the name of the Grantor or in its own name, from time

to time in the U.S. Collateral Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, the Grantor hereby gives the U.S. Collateral Agent the power and right, on behalf of the Grantor, without notice to or assent by the Grantor, to do the following:

(1) in the case of any Account, at any time when the authority of the Grantor to collect the Accounts has been curtailed or terminated pursuant to the first sentence of Section 3(c) hereof, or in the case of any other Collateral, at any time when any Event of Default shall have occurred and is continuing, in the name of the Grantor or its own name, or otherwise, to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Accounts, Instruments or General Intangibles or with respect to, any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the U.S. Collateral Agent for the purpose of collecting any and all such moneys due under any such Account, Instrument or General Intangible or with respect to any other such Collateral whenever payable;

(2) to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(3) upon the occurrence and during the continuance of any Event of Default, (a) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the U.S. Collateral Agent or as the U.S. Collateral Agent shall direct; (b) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (c) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (d) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any such Collateral; (e) to defend any suit, action or proceeding brought against the

Grantor with respect to any Collateral; (f) to settle, compromise or adjust any suit, action or proceeding described in the preceding clause and, in connection therewith, to give such discharges or releases as the U.S. Collateral Agent may deem appropriate; (g) to assign any Patent or Trademark (along with the goodwill of the business to which any such Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the U.S. Collateral Agent shall in its sole discretion determine; and (h) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the U.S. Collateral Agent were the absolute owner thereof for all purposes, and to do, at the U.S. Collateral Agent's option and the Grantor's expense, at any time, or from time to time, all acts and things which the U.S. Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Liens of the U.S. Collateral Agent and the Secured Parties thereon and to effect the intent of this Security Agreement, all as fully and effectively as the Grantor might do.

The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. The Grantor also authorizes the U.S. Collateral Agent and the Secured Parties, at any time and from time to time, to execute, in connection with the sale provided for in Section 9 hereof, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on the Part of U.S. Collateral Agent or Secured Parties. The powers conferred on the U.S. Collateral Agent and the Secured Parties hereunder are solely to protect the interests of the U.S. Collateral Agent and the Secured Parties in the Collateral and shall not impose any duty upon the U.S. Collateral Agent or any Secured Party to exercise any such powers. The U.S. Collateral Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7. Performance by U.S. Collateral Agent of the Grantor's Obligations. If the Grantor fails to perform or comply with any of its agreements contained herein and the U.S. Collateral Agent, as provided for by the terms of this

Security Agreement, may itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the U.S. Collateral Agent incurred in connection with such performance or compliance, together with interest thereon at a rate per annum 2% above the Base Rate, shall be payable by the Grantor to the U.S. Collateral Agent on demand and shall constitute Secured Obligations secured hereby.

8. Proceeds. In addition to the rights of the U.S. Collateral Agent and the Secured Parties specified in Section 3 with respect to payments of Accounts, it is agreed that if an Event of Default shall occur and be continuing upon notice by the U.S. Collateral Agent (a) all Proceeds received by the Grantor consisting of cash, checks and other near-cash items shall be held by the Grantor in trust for the U.S. Collateral Agent and the Secured Parties, segregated from other funds of the Grantor, and shall, forthwith upon receipt by the Grantor, be turned over to the U.S. Collateral Agent in the exact form received by the Grantor (duly indorsed by the Grantor to the U.S. Collateral Agent, if required), and (b) any and all such Proceeds received by the U.S. Collateral Agent (whether from the Grantor or otherwise) shall be deposited in the Master Collateral Account and may be applied by the U.S. Collateral Agent against the Secured Obligations (whether matured or unmatured), such application to be in such order as the Intercreditor Agent shall elect and pursuant to Section 7.9 of the Master Agreement. Any balance of such Proceeds remaining after the Repayment Date shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive the same.

9. Remedies. If an Event of Default shall occur and be continuing, the U.S. Collateral Agent, on behalf of the Secured Parties may exercise, in addition to all other rights and remedies granted to them in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, the U.S. Collateral Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the U.S. Collateral Agent or any Secured Party or

elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The U.S. Collateral Agent and each Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Grantor, which right or equity is hereby waived or released. The Grantor further agrees, at the U.S. Collateral Agent's request, to assemble the Collateral and make it available to the U.S. Collateral Agent at places which the U.S. Collateral Agent shall reasonably select, whether at the Grantor's premises or elsewhere. The U.S. Collateral Agent shall deposit the Net Cash Proceeds of any of the Collateral in the Master Collateral Account, to the payment in whole or in part of the Secured Obligations, subject to subsection 7.9 of the Master Agreement, in such order as the Intercreditor Agent may elect, and only after such application and after the payment by the Intercreditor Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the UCC, need the Intercreditor Agent account for the surplus, if any, to the Grantor. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the U.S. Collateral Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the U.S. Collateral Agent or any Secured Party to collect such deficiency.

10. Limitation on Duties Regarding Preservation of Collateral. The U.S. Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the U.S. Collateral Agent deals with similar property for its own account. Neither the U.S. Collateral Agent, any Secured Party nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Grantor or otherwise.

11. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to

the Collateral are irrevocable and powers coupled with an interest.

12. No Subrogation. Notwithstanding any payment or payments made by the Grantor hereunder, or any setoff or application of funds of the Grantor by the U.S. Collateral Agent or any Secured Party, or the receipt of any amounts by the U.S. Collateral Agent or any Secured Party with respect to any of the Collateral, the Grantor shall not be entitled, and hereby waives any rights it may have, to be subrogated to any of the rights of the U.S. Collateral Agent or any Secured Party against North American Salt or Sifto Salt or against any other collateral security held by the U.S. Collateral Agent or any Secured Party for the payment of the Secured Obligations, nor shall the Grantor seek any reimbursement or contribution from any person in respect of payments made by the Grantor in connection with the Collateral, or amounts realized by the U.S. Collateral Agent or any Secured Party in connection with the Collateral.

13. Amendments, etc. with respect to the Secured Obligations. The Grantor shall remain obligated hereunder, and the Collateral shall remain subject to the Lien granted hereby, notwithstanding that (without any reservation of rights against the Grantor, and without notice to or further assent by the Grantor) any demand for payment of any of the Secured Obligations continued, and the Secured Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered, or released by the U.S. Collateral Agent or any Secured Party, and the Credit Agreements, every other Credit Document and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Secured Parties may deem advisable from time to time, and any guarantee, right of offset or other collateral security at any time held by the U.S. Collateral Agent or any Secured Party for the payment of the Secured Obligations may be sold, exchanged, waived, surrendered or released. Neither the U.S. Collateral Agent nor any Secured Party shall have any obligation to protect, secure, perfect or insure any other Lien at any time held by it as security for the Secured Obligations or any property subject thereto. The Grantor waives any and all notice of the creation, renewal, extension or accrual of any of the Secured Obligations and notice of or proof of reliance by the U.S. Collateral Agent or any Secured Party upon this Security Agreement; the Secured Obligations, and any Secured Parties of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Security Agreement; and all dealings between the Grantor, on the one hand, and the U.S. Collateral Agent and the Secured Parties,

on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Security Agreement. The Grantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon North American Salt, Sifto Salt or any other Person with respect to the Secured Obligations.

14. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

16. No Waiver; Cumulative Remedies. Neither the U.S. Collateral Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 15 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the U.S. Collateral Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the U.S. Collateral Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the U.S. Collateral Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

17. Waivers and Amendments; Successors and Assigns; Governing Law. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except in accordance with subsection 8.1 of the Master Agreement. This Security Agreement shall be binding upon the successors and assigns of the Grantor and shall inure to the benefit of the U.S. Collateral Agent and the Secured Parties and their respective successors and assigns. **THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

18. Notices. Notices hereunder shall be given as provided in Section 8.2 of the Master Agreement.

19. Authority of U.S. Collateral Agent. The Grantor acknowledges that the rights and responsibilities of the U.S. Collateral Agent under this Security Agreement with respect to any action taken by the U.S. Collateral Agent or the exercise or non-exercise by the U.S. Collateral Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the U.S. Collateral Agent and the Secured Parties, be governed by the Master Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the U.S. Collateral Agent and the Grantor, the U.S. Collateral Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and the Grantor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

IN WITNESS WHEREOF, the Grantor has caused this Security Agreement to be duly executed and delivered as of the date first above written.

THE HUTCHINSON AND NORTHERN
RAILWAY COMPANY

By 

Title: _____

**Schedule I
to Subsidiary
Security Agreement**

Patents and Patent Licenses

None.

**Schedule II
to Subsidiary
Security Agreement**

Trademarks and Trademark Licenses

Lake Crystal - applied for (presently have
common law right to use the name).

1800 Carey Blvd.
Hutchinson, Kansas 67501 (Reno County)

**Schedule IV
to Subsidiary
Security Agreement**

Location of Inventory

1800 Carey Blvd.
Hutchinson, Kansas 67501 (Reno County)

**Schedule V
to Subsidiary
Security Agreement**

Location of Equipment

1800 Carey Blvd.
Hutchinson, Kansas 67501 (Reno County)

**Schedule VI
to Subsidiary
Security Agreement**

Governmental Obligors

None.

Schedule VII
to Subsidiary
Security Agreement

Vehicles

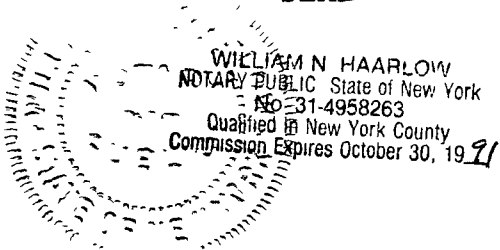
Lake Crystal-None.

H & N:

<u>Description</u>	<u>Year</u>	<u>Even \$ Net Book Value</u>
Engine Locomotive #5		\$ 1,117
Locomotive #4		128
Locomotive		25,006
Ford 1-Ton Truck	1978	101

Attached hereto is a true and complete copy of the
Subsidiary Guarantors Security Agreement,

SEAL



Signed: William N. Haarlow.
William N. Haarlow
Notary Public

Dated: 4/4/90.